

**General Council
Trade Negotiations Committee**

**ISSUES RELATED TO THE EXTENSION OF THE PROTECTION OF GEOGRAPHICAL
INDICATIONS PROVIDED FOR IN ARTICLE 23 OF THE TRIPS AGREEMENT TO
PRODUCTS OTHER THAN WINES AND SPIRITS AND THOSE RELATED TO
THE RELATIONSHIP BETWEEN THE TRIPS AGREEMENT AND
THE CONVENTION ON BIOLOGICAL DIVERSITY**

Report by the Director-General

1. Paragraph 39 of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC) requested "the Director-General, without prejudice to the positions of Members, to intensify his consultative process on all outstanding implementation issues under paragraph 12(b)". The implementation issues referred to are: (i) those related to the extension of the protection of geographical indications (GIs) provided for in Article 23 of the TRIPS Agreement to products other than wines and spirits; and (ii) those related to the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD). The Declaration required the Director-General "to report to each regular meeting of the Trade Negotiations Committee and the General Council".
2. A report on this consultative process was made to the General Council and the Trade Negotiations Committee in June 2008 (WT/GC/W/591-TN/C/W/50); the present report summarizes consultations from the resumption of the process in March 2009 up to the present date. This report covers the proceedings of the consultative process only, and does not address the wider context of these issues.
3. At the request of a large number of delegations, I reactivated the consultation process from March 2009, and held consultations in my capacity as Director-General with a small group of delegations representing the various positions. The participating delegations were: Argentina, Australia, Brazil, Canada, Chile, China, the European Union, India, Japan, New Zealand, Norway, Peru, South Africa, Switzerland, the United States, the ACP Group, the African Group and the LDC Group. Eleven rounds of consultations on the substance of the issues were convened in this period (on 11 March, 8 April, 13 May, 17 July, 8 October, and 9 December in 2009; on 5 March 2010; and on 20 January, 4, 17 and 23 February in 2011).
4. Also in my capacity as Director-General, I have regularly reported to the Trade Negotiations Committee and the General Council on consultations held since the resumption of the process. These reports have been supplemented by more detailed open-ended briefing sessions on 27 July 2009 and 12 March 2010 for the full WTO membership, with detailed information from these briefing sessions published on the WTO website.¹
5. Noting that the process is to be undertaken without prejudice to the positions of Members, the overall approach has been to address the substance of the two issues under consideration, without prejudice to the questions of mandate and linkage. In particular, the consultations have expressly not

¹ Report of 27 July 2009: http://www.wto.org/english/news_e/news09_e/trip_27jul09_e.htm; and Report of 12 March 2010: http://www.wto.org/english/news_e/news10_e/trip_12mar10_e.htm.

addressed the broader questions of linkages and the nature of the Doha mandate. Accordingly, this report does not address these questions.²

6. To inform and structure this work, the methodology used comprised the following processes:
- (a) a structured discussion on a series of questions that I posed to clarify the essential features of the two issues;
 - (b) exchanges on substantive issues on the basis of clusters of questions posed by participating delegations; and
 - (c) input from participating delegations on experiences and relevant measures in their domestic laws, and discussion of these measures.

7. In line with this methodology, discussions centred on the technical issues in the two areas and on relevant domestic measures, so as to deepen understanding of the technical issues, and the interests and concerns that lie behind delegations' various positions. The discussions did not consider any proposals for conclusions or outcomes concerning these issues.

8. Since the last round of consultations, two groups of Members have very recently submitted to the TNC documents concerning these issues (TN/C/W/59 and TN/C/W/60 – both dated 19 April 2011). This specific material has not been discussed in the consultative process and is accordingly not addressed in this report.

A. EXTENSION OF GI PROTECTION

1. Discussions

9. On extension of GI protection, the first issue mentioned in my mandate, the structured discussions covered:

- Factors for and against expanding the protection of Article 23 of the TRIPS Agreement to goods other than wines and spirits, including the comparative merits of the "misleading-the-consumer" and unfair competition tests under Article 22, and the Article 23 "correctness" test.
- How the costs and burdens of GI protection and its enforcement should be managed, so as to balance legal certainty and predictability (which proponents claim for Article 23 protection), and case-by-case application of the consumer deception and unfair competition rule under Article 22.
- The rationale for the current higher level protection for wines and spirits - contrasting a claim for a non-discriminatory, level playing field for all products and sectors, against the view that the current arrangement represents a balanced package in the

² The negotiations on a multilateral system of notification and registration of geographical indications for wine and spirits are covered by a separate mandate. The Chair of the Special Session of the Council for TRIPS is reporting on them separately (TN/IP/21).

Uruguay Round and that wine and spirits were subject to specific forms of labelling regulation in some national systems.

- Broader trade issues, such as the impact of higher protection on continuing market access for food exports to third country markets and the relevance of GI protection to agricultural trade.
- The development dimension of GI protection, some arguing that higher protection for wine and spirit GIs principally benefited industrialized countries, not those developing countries whose GI interests concerned textiles, handicrafts, agricultural products or foodstuffs; others argued that higher GI protection may impede certain valuable exports of developing countries.

10. The discussions went some way to clarifying some technical issues:

- The distinction between scope of protection accorded to a GI under Articles 22 and 23, recognition of a term as a protectable GI under Article 22.1, and the Article 24.6 exception permitting some generic use.
- Protection of GIs as trademarks, especially certification and collective marks, and how the trademark system can or should meet the expectations of the proponents of GI extension, and whether stronger GI protection was possible under the trademark system or would require *sui generis* means.
- Difficulties arising when GIs are used in translation, and whether GI significance in one country can or should influence the level of protection in another country.

11. The exchanges on the substantive issues raised by Members' questions of one another covered a number of general themes grouped into five clusters.

12. Cluster 1, on differences between protection under Articles 22 and 23: whether and how a GI could be prevented from becoming generic in third markets without Article 23 protection; the scope of the proposal to extend GI protection, in terms of products covered, their link with their geographical origin, and the role of a GI identifying a product; whether Article 22 protection is costly and burdensome because of the need for evidence to prove that use of a GI is misleading or confusing to the consumer; and whether Article 22 or 23 protection was preferable for policy reasons.

13. Cluster 2, on the effects of extending higher protection to additional products: effects of higher protection being extended to GIs for different products, including in third country markets; whether increased market access had resulted from higher protection; and the impact of higher protection on market access for products with generic descriptions.

14. Cluster 3, on Members' experiences with GI protection under the existing standards: implications of Article 23 protection in third country markets for trade in wines and spirits; the nature of problems claimed to arise from current levels of protection; and whether a useful analogy could be drawn between wines and spirits and other products.

15. Cluster 4, on the contrasts between GI protection and other forms of IP: whether and if so how GIs differed from other forms of IP, whether any possible trade benefits from GI extension could be equally available through alternative branding and marketing strategies, and the relative costs involved; and the complementary character of marketing and GI protection; implications of

extension of the scope of GI protection for continuing market access for products legitimately presented with generic terms or other TRIPS exceptions to GI protection.

16. Cluster 5, on how exceptions under Article 24 would apply under an extension system: for instance, whether the existing sector-specific exception for the names of grape varieties could be adapted and applied for other products, such as cheese and other processed foods.

2. State of play

17. Delegations continued to voice the divergent views that have characterized this debate, with no convergence evident on the specific question of extension of Article 23 coverage: some Members continued to argue for extension of Article 23 protection to all products; others maintained that this was undesirable and created unreasonable burdens. It was clarified that trademark systems were legitimate forms of protecting GIs, in line with the general principle that Members are entitled to choose their own means of implementing their TRIPS obligations. Extension proponents sought guarantees that the trademark system could and would protect their GIs at the higher level for all goods. Discussions clarified that GI extension did not mean that existing exceptions under the TRIPS Agreement, such as for generic terms and prior trademark rights, would cease to apply. This discussion underscored the benefits of understanding more fully the scope of protection that applies at a practical level under different national systems.

B. TRIPS-CBD

1. Discussions

18. On TRIPS-CBD, the discussions built on the common ground reported in 2008 - broad support for the general principles of prior informed consent and equitable sharing of benefits that are enshrined in the CBD; and agreement on the need to avoid erroneous patents, on securing compliance with national benefit-sharing regimes, and on ensuring patent offices have available the information needed to make proper decisions on patent grants for inventions linked to genetic resources and traditional knowledge (TK). Members voiced support for the CBD objectives, but remained divided as to the best means to fulfil them within the TRIPS framework.

19. The structured discussions therefore reviewed the practical implications and comparative merits of current proposals - a disclosure requirement, a database system, and national-based approaches to enforcing prior informed consent and equitable benefit sharing - considering how each of these options could effectively help achieve the agreed objectives, while not creating undue burdens.

20. Members considered how databases and disclosure requirements would operate in practice to reduce the risk of patents being incorrectly granted over genetic resources and associated TK. Proponents of disclosure mechanisms stressed that their overall goal was to ensure that the TRIPS Agreement positively supported compliance with the essential objectives of the CBD, including prior informed consent and equitable sharing of benefits. Members debated whether a disclosure requirement would be the most effective or desirable way of supporting compliance with access and benefit-sharing obligations in the source country of genetic resources and associated TK, and the prevention of transboundary misappropriation of genetic resources and associated TK; how a disclosure requirement would help avoid the issuance of erroneous patents if patent applicants

identified only the source country; whether a disclosure requirement would be unreasonably burdensome for patent applicants or for patent offices; and whether it would result in uncertainty and deter investment in innovation, thus undermining the role of the patent system. Members also discussed whether more precise definitions are needed for such terms as "genetic resources" and "traditional knowledge" and if so, whether or not to wait for these terms to be further defined in other forums such as WIPO or the CBD.

21. Members agreed on the general usefulness for patent examination of TK/genetic resources databases, but discussed: whether such databases could serve as the primary way to prevent erroneous patents; the difficulty of having fully exhaustive databases of TK, given the oral character of much TK and concerns that recording TK in a database could itself lead to its misappropriation; the difficulty of fully mapping out all the genetic resources potentially available in a mega-diverse country; and whether a mandatory disclosure requirement would help direct patent examiners towards the relevant databases.

22. The exchanges on substantive issues raised by Members' questions covered a number of general themes grouped into four clusters.

23. Cluster 1, on the legal character of misappropriation: whether access to genetic resources through channels that are consistent with national laws should be considered misappropriation in particular cases; whether access to a genetic or biological resource can give rise to a claim of misappropriation based on the laws of the country of origin if the resource was obtained from another country; whether "misappropriation" could refer to illegal or illegitimate acts with respect to the acquisition and use of genetic resources and associated TK; whether defining "misappropriation" should be a precondition for establishing a disclosure obligation; and the role of national access and benefit-sharing (ABS) legislation in enabling Members to exercise their sovereign rights over genetic resources and authorize access and benefit sharing, including through the use of contracts.

24. Cluster 2, on costs and benefits of measures, other than the disclosure requirement, to address misappropriation and benefit sharing: whether, and how, other measures could ensure that patents are not issued in cases where inventions are based on genetic resources or associated TK which have been obtained without proper and legitimate authorization and without equitable benefit sharing; whether mechanisms to prevent misappropriation of genetic resources should differ depending on whether commercialized products are patented; whether TK/genetic resources databases would contribute to preventing misappropriation and ensuring equitable sharing of benefits.

25. Cluster 3, on the legal character and enforcement possibilities of national-based approaches, including a contract-based system, especially covering multiple jurisdictions: how to address transboundary aspects of access, benefit sharing, and prior informed consent; how a contract-based approach would address the principles of ABS and prior informed consent, along with appropriate domestic legislation; issues relating to transboundary enforcement of contracts.

26. Cluster 4, on administrative costs and burdens, and the legal certainty and predictability, of a mandatory disclosure requirement within the patent system: relative additional costs and burden of incorporating the mandatory disclosure requirement as compared to existing obligations under Article 29.1 of the TRIPS Agreement; how these costs could be offset against benefits of improving patent examination, facilitating prior art search, promoting transparency, contributing to preventing misappropriation of genetic resources and associated TK, and ensuring equitable benefit sharing and prior informed consent; whether, given the continuing relevant work in the WIPO and the CBD (including on definitions of key terms and elements of benefit sharing), a disclosure requirement could be implemented in a consistent manner which would provide legal certainty.

2. State of play

27. Members have consistently voiced support for the principles and objectives of the CBD, including the principle of prior informed consent and the principle of equitable sharing of benefits. They have agreed on the need to take steps to avoid erroneous patents, including through the use of databases, as appropriate, to avoid patents being granted on existing traditional knowledge or genetic resources subject-matter. None of the proposals discussed - disclosure requirements, databases, or the use of contracts - was argued to be a stand-alone response or complete solution to all problems outlined. Members continue to differ on whether the formulation and application of a specific, tailored disclosure mechanism relating in particular to genetic resources and associated TK would be useful and effective in ensuring that the patent system promoted CBD objectives, or whether other mechanisms should be preferred. This discussion underscored the benefits of understanding more fully the practical and operational context of the existing disclosure mechanisms that have been implemented in national systems.
